

**FIRST 5 PLACER
CHILDREN AND FAMILIES COMMISSION
(A Component Unit of the
County of Placer, California)**

Independent Auditor's Reports, Management's Discussion and
Analysis and Financial Statements

For the Year Ended June 30, 2009

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
FOR THE YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, California, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2009, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Expenses by Fund Source and Net Assets of CCFC Funds for First 5 Programs (the Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maclean Hui & O'Connell LLP

Certified Public Accountants

Sacramento, California

September 18, 2009

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Management's Discussion and Analysis
For the Year Ended June 30, 2009

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed an additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The County of Placer (County) Board of Supervisors created the First 5 Placer Children and Families Commission (Commission) in 1999 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is considered a component unit of the County due to the operational relationship between the Commission and the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2009**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. There were no differences for the year ended June 30, 2009.

The Commission adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual budget.

The fund financial statements can be found on pages 11 and 12 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 – 18 of this report.

Financial Analysis – Governmental Activities

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$11.4 million at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash and investments balance of \$11.7 million. This represents resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net assets also resides in the Commission's receivables due from the State Commission for Proposition 10 taxes in the amount of \$610,423 and the Commission's receivables due from Healthy Kids Healthy Future coalition in the amount of \$12,969. This receivable represents taxes that were remitted by these agencies but had not been received by the Commission as of June 30, 2009. The Commission also reports accounts payable of \$927,930 representing payments due on grant service contracts that had not been paid at year-end.

The Commission's net assets increased by approximately \$0.6 million for the year ended June 30, 2009. This increase is explained in the governmental fund analysis below and is primarily the result of revenues exceeding budgeted expectations coupled with expenditures being less than expected.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)

Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2009

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

First 5 Placer Children and Families Commission
Statement of Net Assets (in thousands)

| | <u>FY 2008/09</u> | <u>FY 2007/08</u> |
|---------------------|-------------------------|-------------------------|
| Assets: | | |
| Current assets | \$ <u>12,367</u> | \$ <u>11,616</u> |
| Liabilities: | | |
| Current liabilities | <u>928</u> | <u>811</u> |
| Net Assets: | | |
| Unrestricted | \$ <u><u>11,439</u></u> | \$ <u><u>10,805</u></u> |

For the year-ended June 30, 2009, the Commission reported ending net assets of \$11.4 million, an increase of approximately \$.6 million from the prior year. This increase represents the amount of revenues in excess of expenses for the year ended June 30, 2009.

Of the \$11.4 million in unrestricted net assets, \$10.6 million is designated for local initiatives and program sustainability. Of the \$10.6 million, \$7.8 million has been designated for local program sustainability as part of the Commission's long range financial plan (adopted June 2009). Additionally, the Commission has a three year strategic plan, of which one year is remaining. The local initiatives and program sustainability designations for FY 2009/10 are as follows: \$2.0 million for specific partners and program costs, \$.3 million for Children's Health Initiative, \$.1 million for evaluation and \$.4 million for administrative costs.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)

Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2009

First 5 Placer Children and Families Commission
Statement of Activities (in thousands)

| | <u>FY 2008/09</u> | <u>FY 2007/08</u> |
|---------------------------------------|-------------------|-------------------|
| Program Revenues: | | |
| Operating grants and contributions | \$ 3,072 | \$ 3,247 |
| General Revenues: | | |
| Investment earnings | <u>376</u> | <u>475</u> |
| Total revenues | <u>3,448</u> | <u>3,722</u> |
| Program Expenses: | | |
| Children and family services | | |
| Professional and specialized services | 2,457 | 2,547 |
| Services and supplies | <u>358</u> | <u>346</u> |
| Total expenses | <u>2,815</u> | <u>2,893</u> |
| Change in net assets | 633 | 829 |
| Net assets, beginning of year | <u>10,805</u> | <u>9,976</u> |
| Net assets, end of year | <u>\$ 11,438</u> | <u>\$ 10,805</u> |

For the year ended June 30, 2009, total revenue (see table above) consisting of Proposition 10 funds, investment earnings, and State Commission matching revenue decreased \$274,000 from the prior year. This decrease was due to an unanticipated decrease in the State allocation to the County.

Total expenses decreased \$78,000 from the prior fiscal year. The decrease was anticipated and incorporated in the 2007-2010 Strategic Plan's funding commitments as the Commission's partners were moving towards program sustainability.

General Fund Budgetary Highlights

Total revenues were under budget by 2% or nearly \$77,000 while total expenditures were under budget by 16% or approximately \$545,000 because of the Commission's financial management practices and promotion of sustainability, as well as its philosophy of stewardship in the handling of the Proposition 10 Trust Fund.

Capital Assets and Debt Administration

At the end of the current fiscal year, the Commission did not have any capital assets or long-term obligations outstanding.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2009

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds for the purposes which it is intended. Through local decision-making, The Commission seeks to promote, support and improve the early development of children from the prenatal stage through five years of age by creating and implementing an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development and ensure that children are ready to enter school.

In FY 2009/10, the Commission will continue its focus on evaluating programs and the Commission's impact on the community. Additionally, the Commission will begin developing its 2010-2013 Strategic Plan, to determine funding priorities over the next few fiscal years. This process will involve current partners and community at large.

At its meeting on June 11, 2009, the Commission adopted a Long Range Financial Plan (Plan), which assures funding to the local community through 2016/2017. This plan creates a framework for a predictable funding stream in the County for the next seven years, the basis of which is conservative financial stewardship of a sustainability fund. The purpose of the Sustainability Fund is to allow the Commission to assure a long-term, stable future funding stream for the Commission's programs and services, in light of declining tobacco tax revenues. This plan will be updated annually to reflect actual expenditures, annual budgets, and changes in assumptions, such as revenue projections. The Plan as adopted by the Commission is as follows:

**Financial Planning for Sustainability
Long Range Financial Plan
Dollars in Millions**

| Fiscal Year Ending June 30 | 2008/09 Budget | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | TOTAL |
|---|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Beginning Fund Balance (Unobligated) | 4.532 | 0.311 | 0.023 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Annual Tobacco Tax Allocation | 3.035 | 2.813 | 2.788 | 2.781 | 2.775 | 2.389 | 2.299 | 2.211 | 2.127 | 23.218 |
| Grant Funding | 0.125 | | | | | | | | | 0.125 |
| Subtotal Revenue | 7.692 | 3.123 | 2.811 | 2.781 | 2.775 | 2.389 | 2.299 | 2.211 | 2.127 | 28.208 |
| Expenses (Use of Funds) | | | | | | | | | | |
| Programs | 2.617 | 2.500 | 3.000 | 3.000 | 3.000 | 2.500 | 2.500 | 2.500 | 2.500 | 24.117 |
| Administration | 0.464 | 0.450 | 0.450 | 0.450 | 0.450 | 0.450 | 0.450 | 0.450 | 0.450 | 4.064 |
| Evaluation | 0.176 | 0.150 | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | 1.166 |
| Sustainability Fund Contribution | 4.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 4.000 |
| Subtotal Expenses | 7.256 | 3.100 | 3.570 | 3.570 | 3.570 | 3.070 | 3.070 | 3.070 | 3.070 | 36.916 |
| Ending Fund Balance (Unobligated) | 0.436 | 0.023 | -0.759 | -0.789 | -0.795 | -0.681 | -0.771 | -0.859 | -0.943 | |

SUSTAINABILITY FUND

| | | | | | | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Beginning Fund Balance | 6.187 | 10.587 | 10.905 | 10.451 | 9.952 | 9.431 | 9.013 | 8.489 | 7.859 | 7.124 |
| Contribution to Fund | 4.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| Withdrawal from Fund | 0.000 | 0.000 | 0.759 | 0.789 | 0.795 | 0.681 | 0.771 | 0.859 | 0.943 | |
| Interest Earnings | 0.400 | 0.318 | 0.304 | 0.290 | 0.275 | 0.263 | 0.247 | 0.229 | 0.207 | |
| Ending Fund Balance | 10.587 | 10.905 | 10.451 | 9.952 | 9.431 | 9.013 | 8.489 | 7.859 | 7.124 | |

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2009

Requests for Information

This financial report is designed to provide a general overview of the First 5 Placer Children and Families Commission finances for all those interested. Questions concerning, any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Placer Children and Families Commission, 365 Nevada Street, Auburn, California, 95603.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**Statement of Net Assets
June 30, 2009**

| | Governmental Activities |
|-------------------------|------------------------------------|
| Assets | |
| Cash in County treasury | \$ 11,740,730 |
| Due from other agencies | 623,392 |
| Prepaid items | <u>2,398</u> |
| Total assets | <u>12,366,520</u> |
| Liabilities | |
| Accounts payable | <u>927,930</u> |
| Net Assets | |
| Unrestricted | <u><u>\$ 11,438,590</u></u> |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**Statement of Activities
For the Year Ended June 30, 2009**

| | Governmental Activities |
|--|------------------------------------|
| Program Expenses | |
| Children and family services: | |
| Professional and specialized services | \$ 2,457,419 |
| Services and supplies | 357,915 |
| Total program expenses | <u>2,815,334</u> |
| Program Revenues | |
| Operating grants and contributions: | |
| Proposition 10 apportionment | 2,941,488 |
| Proposition 10 retention incentive | 123,259 |
| Proposition 10 surplus money investment fund | <u>7,258</u> |
| Total program revenues | <u>3,072,005</u> |
| Net program revenue | <u>256,671</u> |
| General Revenues | |
| Investment earnings | <u>376,283</u> |
| Change in net assets | 632,954 |
| Net assets - beginning of year | <u>10,805,636</u> |
| Net assets - end of year | <u><u>\$ 11,438,590</u></u> |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**Balance Sheet - General Fund
June 30, 2009**

| | |
|---|-----------------------------|
| Assets | |
| Cash in County treasury | \$ 11,740,730 |
| Due from other agencies | 623,392 |
| Prepaid items | <u>2,398</u> |
| Total assets | <u><u>\$ 12,366,520</u></u> |
| Liabilities and fund balance | |
| Liabilities: | |
| Accounts payable | <u>\$ 927,930</u> |
| Fund balance: | |
| Reserved: | |
| Reserved for prepaid items | 2,398 |
| Unreserved: | |
| Designated for local initiatives and program sustainability | 10,586,857 |
| Undesignated | <u>849,335</u> |
| Total fund balance | <u>11,438,590</u> |
| Total liabilities and fund balance | <u><u>\$ 12,366,520</u></u> |

The accompanying notes are an integral part of these financial statements.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)

**Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund
For the Year Ended June 30, 2009**

Revenues

| | |
|--|------------------|
| Proposition 10 apportionment | \$ 2,941,488 |
| Proposition 10 retention incentive | 123,259 |
| Proposition 10 surplus money investment fund | 7,258 |
| Investment earnings | <u>376,283</u> |
| Total revenues | <u>3,448,288</u> |

Expenditures

| | |
|---------------------------------------|-----------------------------|
| Professional and specialized services | 2,457,419 |
| Services and supplies | <u>357,915</u> |
| Total expenditures | <u>2,815,334</u> |
| Net change in fund balance | 632,954 |
| Fund balance - beginning of year | <u>10,805,636</u> |
| Fund balance - end of year | <u><u>\$ 11,438,590</u></u> |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The First 5 Placer Children and Families Commission (Commission) was established by the Placer County Board of Supervisors in 1999 under the provisions of the California Children and Families First Act of 1998 (Act). The Commission is a public entity legally separate and apart from the County of Placer (County). The purpose of the Commission is to develop, adopt, promote and implement early childhood development programs in the County consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of nine members, which are appointed by the County Board of Supervisors. The composition of Commission membership is guided by Health and Safety Code Section 130140 (A). Commissioners serve three-year terms. No member may serve more than two consecutive three-year terms. The County Board of Supervisors may remove any Commissioner at any time. Since the County Board of Supervisors can impose their will on the Commission; the Commission is considered a component unit of the County.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria and therefore, the Commission does not have any component units.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of the Commission. Revenues that are not classified as program revenues, such as investment earnings, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted net assets are available, restricted resources are used first, then unrestricted resources as they are needed..

Fund Financial Statements

Separate financial statements are provided for the governmental fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. For this purpose, the Commission considers Proposition 10 tax revenues to be available if collected within 90 days after the end of the current period. All receivables are expected to be collected within the Commission's availability period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include tobacco taxes, grants, entitlements and donations. On the modified accrual basis, revenues from the tobacco taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The General Fund is the Commission's primary operating fund and its only major fund. The General Fund accounts for all financial resources of the Commission.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies (Continued)**

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Reservations of Fund Balance

Reservations of fund balance are used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure.

The Commission has reserved fund balances as follows:

Reserve for prepaid items – A reserve is set aside to reflect the balances of prepaid items that benefit future periods and are not available for appropriation.

Note 2: **Cash and Investments**

Cash and investments shown on the statement of net assets and the balance sheet represent the Commission's share of the County Treasurer's cash and investment pool. The Commission voluntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorizes the following investments; local agency bonds, U.S. Treasury securities, U.S. agency securities, mortgage backed securities, collateralized obligations, asset backed securities, bankers acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). The County has an investment committee, which performs regulatory oversight for its pool in accordance with California Government Code Section 27133. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Commission's position in the pool. The Commission's investment in the County Treasurer as of June 30, 2009 is reported at fair value.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Commission does not have an investment policy that addresses these specific types of risk.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

Note 2: Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2009 was 1,107 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission's investment in the County external investment pool is not rated.

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission is not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

Note 3: Related Party Transactions

During the fiscal year ended June 30, 2009, the Commission paid the Placer County Office of Education, a related party, \$297,115 for accounting, legal and administrative services. Of that amount, \$132,716 was paid to the County of Placer, a related party, for accounting and administrative services. An additional \$6,111 was paid directly to the County of Placer for additional accounting and administrative services.

Additionally, during the year ended June 30, 2009, the Commission paid the Placer County Office of Education, a related party, \$427,089 for partner services related to early childhood education services.

Note 4: Risk Management

The Commission is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the Commission is secured through commercial lines for both general liability and workers' compensation coverage.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

Note 5: Contingent Liabilities

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improves the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the Commission's management does not expect such amounts, if any, to be material.

Note 6: Future Commitments

The Commission has committed approximately \$2.8 million for contracts with its business partners for the year ended June 30, 2010.

Note 7: Program Evaluation

During the fiscal year ended June 30, 2009, the Commission spent \$160,852 on program evaluation.

Note 8: Recent Governmental Accounting Standards

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in February 2009. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 improves the financial reporting by providing fund balance categories and classifications that will be more easily understood. The reserve component of fund balance will be eliminated and replaced with a restricted classification to enhance the consistency between information reported in the government-wide and the governmental fund financial statements to avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. GASB Statement No. 54 is effective for financial statements for years beginning after June 15, 2010.

The impact on the financial statements of the Commission of this pronouncement which has not yet been adopted, is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2009

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------|-------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Proposition 10 apportionment | \$ 3,000,000 | \$ 3,000,000 | \$ 2,941,488 | \$ (58,512) |
| Proposition 10 retention incentive | 125,000 | 125,000 | 123,259 | (1,741) |
| Proposition 10 surplus money investment fund | | - | 7,258 | 7,258 |
| Investment earnings | 400,000 | 400,000 | 376,283 | (23,717) |
| Total revenues | <u>3,525,000</u> | <u>3,525,000</u> | <u>3,448,288</u> | <u>(76,712)</u> |
| Expenditures | | | | |
| Professional and specialized services | 2,736,000 | 2,830,047 | 2,457,419 | 372,628 |
| Services and supplies | 520,404 | 530,404 | 357,915 | 172,489 |
| Total expenditures | <u>3,256,404</u> | <u>3,360,451</u> | <u>2,815,334</u> | <u>545,117</u> |
| Net change in fund balance | <u>\$ 268,596</u> | <u>\$ 164,549</u> | 632,954 | <u>\$ 468,405</u> |
| Fund balance - beginning of year | | | <u>10,805,636</u> | |
| Fund balance - end of year | | | <u>\$ 11,438,590</u> | |

The accompanying note is an integral part of this schedule.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

Note to the Required Supplementary Information
For the Year Ended June 30, 2009

Note 1: **Budget and Budgetary Reporting**

The Commission is required to prepare a budget each year based on estimated revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)

Schedule of Expenses by Fund Source and
Net Assets of CCFC Funds for First 5 Programs
For the Year Ended June 30, 2009

| | CARES | |
|--------------------------------|--------------------------|------------------------------------|
| | CCFC Program Funds | County and Other Local Funds |
| Revenues | | |
| CCFC funds | \$ 123,259 | \$ - |
| Expenses | | |
| Program expenses | 123,259 | 246,518 |
| Change in net assets | - | |
| Net assets - beginning of year | - | |
| Net assets - end of year | <u>\$ -</u> | |

OTHER REPORTS



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NEWPORT BEACH

SAN MARCOS

SAN DIEGO

Board of Commissioners
Placer First 5 Children and Families Commission
Auburn, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the governmental activities and general fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, County of Placer Board of Supervisors, management, the California Children and Families Commission, and the California State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Maclean Meiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
September 18, 2009



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SAN DIEGO

Board of Commissioners
 First 5 Placer Children and Families Commission
 Auburn, California

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

We have examined the compliance of the First 5 Placer Children and Families Commission (Commission), a component unit of the County of Placer (County), with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*), issued by the State Controller's Office for the year ended June 30, 2009. Management is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with the laws and regulations applicable to the specified requirements noted below, as described in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*:

| <u>Description</u> | <u>Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|---------------------------------------|-----------------------------------|---------------------------------|
| Contracting and Procurement | 6 | Yes |
| Administrative Costs | 3 | Yes |
| Conflict-of-Interest | 3 | Yes |
| County Ordinance | 4 | Yes |
| Long-range Financial Plans | 2 | Yes |
| Financial Condition of the Commission | 1 | Yes |
| Program Evaluation | 3 | Yes |
| Salaries and Benefits | 2 | Yes ¹ |

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with the specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

¹ The First 5 Placer Children and Families Commission (Commission) contracts with the Placer County Office of Education and County of Placer Health and Human Services Department, as appropriate, for full time staff support. Since the Commission does not have any employees, testing a representative sample of salary and benefit transactions was not applicable.

This report is intended solely for the information of management, the Board of Commissioners, County of Placer Board of Supervisors, the California Children and Families Commission, and the California State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Maclean Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California

September 18, 2009